

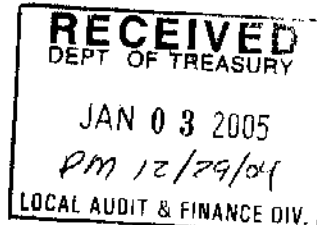
Tobin & Co.

Bingham Township

Leelanau County, Michigan

Audit Report

For the Year Ended June 30, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Bingham Township	County Leelanau
Audit Date 6/30/04	Opinion Date 11/18/04	Date Accountant Report Submitted to State: 12/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C.

400 E. EIGHTH ST.

TRAVERSE CITY, MI 49686-2668

Certified Public Accountant (Firm Name)		City		State	ZIP
Street Address 231-947-0151					
Accountant Signature <i>Joel Tobin</i>				Date 12/28/04	

Tobin & Co.

Table of Contents

INTRODUCTORY SECTION

Comments and Recommendations	4 – 6
------------------------------	-------

FINANCIAL SECTION

Accountant's Report	8
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	9
Statement of Net Assets	10
Statement of Activities	
Governmental Funds:	11
Balance Sheet	12
Statement of Revenues, Expenditures and Changes in Fund Balances	
Fiduciary Funds	13
Statement of Fiduciary Net Assets	
Notes to Basic Financial Statements	14 – 18

SUPPLEMENTAL DATA SECTION

Required Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	20 – 23
1 - General Fund	24
2 - Public Improvement Fund	
Other Supplementary Information	
<u>Current Tax Collections Fund</u>	
6 - Statement of Changes in Assets and Liabilities	25
<u>Other Data</u>	
7 - 2003 Property Tax Levy and Collection	26

Tobin & Co.

INTRODUCTORY SECTION

Tobin & Co.

Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Bingham Township, Leelanau County, for the year ended June 30, 2004 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Bingham Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

Internal Control

Management is responsible for establishing and maintaining a system of internal control. Internal control is a system of policies and procedures designed to provide, among other things, reasonable assurance that assets are safeguarded against unauthorized use and disposition and that financial reports are accurate. Some minimum requirements of a sound system of internal control include numerically controlled receipts, timely bank deposits, and monthly reconciliation of all bank accounts to general ledger balances.

The bank reconciliation process in which the Treasurer reconciles her records of cash balances to bank statements, was not satisfactory. The bank reconciliation that we were furnished as of June 30, 2004 contained numerous uncleared items which we ultimately concluded were erroneous. The general checking account balance on the reconciliation was \$74,414.70, and the amount that we ultimately determined was the reconciled balance was a negative \$12,006.29. The significant items that were determined to be incorrect in the reconciliation are as follows:

- 1) A deposit dated May 17, 2004 in the amount of \$57,321.02 was supported by a receipt in the Treasurer's receipt book and was listed on the June 30, 2004 reconciliation as a deposit in transit, i.e., not posted to the Township bank account by the bank. The deposit still was not posted by the bank as of September 30, 2004, and the cash was still in the tax investment account.
- 2) A deposit entered on May 17, 2004 amounting to \$950.00 and a deposit dated May 31, 2004 amounting to \$22,003.00 were listed as deposits in transit in the bank reconciliation at June 30, 2004. However, they were posted by the bank on June 9, 2004, and they were not actually deposits in transit at June 30, 2004.
- 3) A deposit in transit dated March 5, 2004 in the amount of \$60.00 never was credited to the Township's account by the bank. In addition, another deposit in transit dated May 17, 2004 in the amount of \$90.00 similarly was never credited to the bank account by the bank.
- 4) There were two transfers dated June 30, 2003 in the amount of \$1,198.70 and \$2,500.00. These amounts were determined to not be uncleared items after such a significant period of time. These uncleared items were listed on the general checking and public improvement bank reconciliations at June 30, 2004.
- 5) Check number 1371, dated June 16, 2003, to Purchase Power in the amount of \$550.00 was still listed as outstanding on the reconciliation. While we were unable to determine whether the check ever cleared the bank, at this point it is stale dated, and the amount was added back to the cash balance.

Annually, after the tax levy is settled with the County Treasurer, the balances in the Current Tax Accounts should be disbursed to the General Fund. This is generally done in March. At June 30, 2004, there was a balance in the Tax Checking and Tax Investment Accounts of \$88,794.12. While we were not able to determine what the entire balance represented, we were able to determine that the following items were still on deposit in those accounts:

Township 2003 current taxes	\$ 57,321.10
Township 2003 delinquent taxes	3,724.31
Suttons Bay-Bingham Fire 2003 delinquent taxes	11,442.84
Interest earned July 1, 2003 to June 30, 2004	1,226.14
Balance in accounts at June 30, 2003	12,584.79
Unidentified	<u>2,494.94</u>
Balance in accounts	<u>\$ 88,794.12</u>

Tobin & Co.

Comments and Recommendations

Internal Control (Continued)

The current taxes should have been transferred to the general fund around March 31, 2004. The delinquent tax transmittal from the County Treasurer was dated May 5, 2004 and was deposited on June 9, 2004. The delinquent taxes should have been transmitted to the general fund and to the Fire and Rescue Unit on June 9, 2004, if not before. The balance at June 30, 2003 should have been distributed before June 30, 2003, and the Treasurer was told this in connection with last year's audit. Finally, the earned interest during the year should have been distributed to the general fund, and the unidentified balance should have been analyzed and distributed appropriately.

We indicated in the audit report for the year ended June 30, 2003 that the balance that existed at that date in the current tax accounts should be researched and identified and appropriate action taken with respect to the balances. For example, part of the balance at June 30, 2003 could be unremitted taxes to other taxing units such as the County, School Districts, and Fire and Rescue Department. In addition, a portion of the balance could be overpayment by taxpayers which should be refunded to them. We were told by the Treasurer at the time of the audit for June 30, 2003 that she would investigate the origin of the excess funds and take appropriate action. This has not happened. As of June 30th all balances, with the possible exception of an imprest balance, should have been distributed to the Township and/or other taxing units. We were able to determine in looking at bank statements that distributions of the current and delinquent taxes had not been made to the Township from the current tax accounts. However, the delinquent taxes were remitted to Suttons Bay-Bingham Fire in early July 2004. As indicated above, the Township current taxes were receipted to the general fund on May 17, 2004, but the cash has still not been transferred.

The Township checks dated May 17, 2004 did not appear to have been mailed out promptly after the Township Board meeting. We found that none of the checks cleared the Township's bank account by the end of May and most began clearing the Township's account in June. There were some vendors that added late payment fees to the May 31, 2004 statements mailed to the Township. In addition, a workmen's compensation premium payment in the amount of \$1,065.00 was not received timely by the insurance company, and when they contacted the Township Clerk about a lapse in the insurance coverage, a second check was issued on June 21, 2004. The first check did, in fact, clear the bank in June resulting in duplicate payment of the premium. The insurance company did return the overpayment. Whatever the cause of delay in mailing the checks to the vendors, it created a great deal of difficulty. Along the same line, there were approximately five checks dated September 30, 2003 which represented refund of property tax overpayments, these checks did not clear the bank account until sometime in December 2003. Again, it appears that there is an issue with Township checks reaching the payees timely.

Budgets and Procedures

The budget adopted for the year was approved by cost-center. Board minutes indicate that expenditures were compared to budgeted amounts periodically during the year. The Township has two separate governmental funds, the General Fund and the Public Improvement Fund. Budgets for both of these funds should be adopted each year. If funds are transferred from the Public Improvement Fund to the General Fund so that the General Fund can write a check for a public improvement, that disbursement needs to be budgeted as a capital outlay in the Public Improvement Fund.

General Fund

The General Fund is presented on Schedule 1 of this report. Fund balance at June 30, 2004 was \$253,232.

Public Improvement Fund

This Fund is permitted by statute to set aside certain funds for public improvements. The Fund balance at June 30, 2004 was \$99,816. One disbursement for \$30,000 for a fire tanker replacement was made during the year to Suttons Bay-Bingham Fire and Rescue.

General Fixed Assets

Government Accounting Standards Board Statement No. 34 requires that the Township land, buildings, and equipment be recorded on the statement of net assets and depreciated over the useful lives of the assets. The Clerk prepared an inventory of those assets, and the list should be continually updated as new assets are purchased and other assets are disposed.

Property Tax Collections

With the exception of the surplus cash discussed above, the collection process for the 2003 tax levy appeared to be handled appropriately by the Township Treasurer. Deposits appeared to have been made regularly. For the most part, it appeared that distributions were made to other taxing units in accordance with statutory requirements, but in some cases it appeared that they may have been a few days late. In addition, the Treasurer should consider modifying the spreadsheet in which she accounts for transactions in the tax account to include columns for distributions to each taxing unit so that the totals can be used at the time she settles with the County Treasurer. See Schedule 4 for the 2003 property tax levy.

Tobin & Co.

Comments and Recommendations

Payroll Procedures

Payroll tax returns appeared to have been properly filed and taxes paid during the year. Quarterly reports for 2003 were in agreement with 2003 Form W-3.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, and workmen's compensation. Board minutes indicate coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies have surety bond coverage.

Investments

Michigan State law covering investments of surplus funds of townships was changed in 1997. The Township adopted a written investment policy in November 1998. There were no investments at June 30, 2004.

Other Data

Interest bearing depository accounts were used by the Township Treasurer. This practice resulted in earned interest of \$6,098 for the audit year.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

Tobin & Co.

FINANCIAL SECTION

Tobin & Co.

REPORT OF INDEPENDENT AUDITOR

To the Township Board
Bingham Township
Leelanau County
Leelanau, Michigan 49646

We have audited the basic financial statements of Bingham Township as of and for the year ended June 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of such funds of Bingham Township at June 30, 2004, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Bingham Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
November 18, 2004

Tobin & Co.

Bingham Township Statement of Net Assets June 30, 2004

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
Assets	
Cash	\$ 287,014
Receivables	61,245
Prepaid Insurance	<u>7,715</u>
Capital Assets	782,700
Land	<u>56,758</u>
Other Capital Assets, Net of Depreciation	
Total Capital Assets	<u>839,458</u>
Total Assets	<u>1,195,432</u>
Liabilities	
Accounts Payable	<u>2,926</u>
Total Liabilities	<u>2,926</u>
Net Assets	
Invested in Capital Assets	839,458
Restricted for:	99,816
Public Improvements	<u>253,232</u>
Unrestricted	
Total Net Assets	<u>\$ 1,192,506</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Bingham Township Statement of Activities June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	\$ 39,790	\$ -	\$ -	\$ (39,790)
General Government	119,866	17,751	161,849	59,734
Public Safety	206,995	-	-	(206,995)
Recreation and Culture	<u>37,024</u>	<u>-</u>	<u>-</u>	<u>(37,024)</u>
Total Governmental Activities	<u>\$ 403,675</u>	<u>\$ 17,751</u>	<u>\$ 161,849</u>	<u>(224,075)</u>
General Revenues:				
Property Taxes				228,467
Unrestricted Investment Earnings				6,098
Rents and Royalties				750
Miscellaneous				<u>14,513</u>
Total General Revenues				<u>249,828</u>
Change in Net Assets				25,753
Net Assets - Beginning				<u>1,166,753</u>
Net Assets - Ending				<u>\$ 1,192,506</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Bingham Township Balance Sheet Governmental Funds June 30, 2004

	<u>General</u>	<u>Public Improvement</u>	<u>Total</u>
Assets			
Cash in Bank	\$ 187,198	\$ 99,816	\$ 287,014
Taxes Receivable	61,245	-	61,245
Prepaid Insurance	<u>7,715</u>	<u>-</u>	<u>7,715</u>
Total Assets	<u>\$ 256,158</u>	<u>\$ 99,816</u>	<u>\$ 355,974</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 2,926	\$ -	\$ 2,926
Total Liabilities	<u>2,926</u>	<u>-</u>	<u>2,926</u>
Fund Balances:			
Unreserved	<u>253,232</u>	<u>99,816</u>	<u>353,048</u>
Total Fund Balances	<u>253,232</u>	<u>99,816</u>	<u>353,048</u>
Total Liabilities and Fund Balances	<u>\$ 256,158</u>	<u>\$ 99,816</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			<u>839,458</u>
Net assets of governmental activities.			<u>\$ 1,192,506</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Bingham Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2004

	<u>General</u>	<u>Public Improvement</u>	<u>Total</u>
Revenues			
Taxes	\$ 228,467	\$ -	\$ 228,467
Licenses and Permits	8,235	-	8,235
State Grants	161,849	-	161,849
Charges for Services	9,516	-	9,516
Interest and Rents	2,544	4,304	6,848
Other	<u>14,513</u>	<u>-</u>	<u>14,513</u>
Total	<u>425,124</u>	<u>4,304</u>	<u>429,428</u>
Expenditures			
Legislative	39,790	-	39,790
General Government	117,101	-	117,101
Public Safety	206,995	-	206,995
Recreation and Culture	37,024	-	37,024
Capital Outlay	<u>12,963</u>	<u>30,000</u>	<u>42,963</u>
Total	<u>413,873</u>	<u>30,000</u>	<u>443,873</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	11,251	(25,696)	(14,445)
Fund Balance -- Beginning of Year	<u>241,981</u>	<u>125,512</u>	
Fund Balance -- End of Year	<u>\$ 253,232</u>	<u>\$ 99,816</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			<u>40,198</u>
Change in Net Assets of Governmental Activities.			<u>\$ 25,753</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Bingham Township Statement of Fiduciary Net Assets June 30, 2004

	<u>Agency Funds</u>
Assets	
Cash	\$ 88,794
Total Assets	<u>\$ 88,794</u>
Liabilities	
Undistributed Taxes and Interest	\$ 88,794
Total Liabilities	<u>\$ 88,794</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Bingham Township Notes to Financial Statements June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Bingham Township is a general law township located in Leelanau County. Populations as of the 2000 census was 2,425, and the current state equalized and taxable values are \$199,831,250 and \$122,717,013, respectively.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds, if any, are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Tobin & Co.

Bingham Township Notes to Financial Statements June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 years
Machinery and Equipment	5-10 years

Tobin & Co.

Bingham Township Notes to Financial Statements June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$199,831,250	\$122,717,013	.5000
Fire	\$199,831,250	\$122,717,013	1.4578

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2004.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2004, two cost centers overexpended their budgets without formal Board amendment.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

Tobin & Co.

Bingham Township Notes to Financial Statements June 30, 2004

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$387,415 deposited with a local financial institution at June 30, 2004 with a carrying value of \$373,418. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$272,188 of uninsured deposits at June 30, 2004.

NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at June 30.

	<u>2004</u>	<u>2003</u>
Land	\$ 782,700	\$ 782,700
Buildings and Improvements	46,479	33,516
Furniture and Equipment	<u>40,624</u>	<u>10,624</u>
	869,803	826,840
Less Accumulated Depreciation	<u>(30,345)</u>	<u>(27,580)</u>
	<u>\$ 839,458</u>	<u>\$ 799,260</u>

NOTE 5 - INVENTORIES

Bingham Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 6 - PENSION PLAN

The Township began a defined contribution money purchase pension plan for Michigan Township employees under contract with Manulife Financial. Listed below is a summary of the significant plan provisions adopted by Board Resolution in July 1976, and amended in July 2002:

A. Eligibility Requirements

1. No minimum service requirement.
2. All Township employees who are elected officials.
3. Five employees were eligible for the 2003-2004 plan year.

Tobin & Co.

Bingham Township Notes to Financial Statements June 30, 2004

NOTE 6 - PENSION PLAN (Continued)

B. Contributions

1. Approximately 10% of annual compensation funded 75% by the Township on an annual basis.
2. Compensation determined by the wages for the fiscal year is the annual rate of compensation in effect at the beginning of each plan year (July 1).

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

D. Plan Administration

1. The plan is administered by Manulife Financial. During the year of audit, the total Township contributions paid for the plan year, July 1, 2003 to June 30, 2004, were \$4,500. Covered payroll was \$32,951 out of a total Township payroll of \$110,857 for the audit year.

NOTE 7 - PROPERTY TAX ADMINISTRATION FEES

The Township does not charge a property tax collection fee.

NOTE 8 - CONTINGENT LIABILITIES

As of June 30, 2004, there were no known contingent liabilities.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 10- COMPENSATED ABSENCES

The Township provides no compensated absences for its employees.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Bingham Township Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual General Fund For the Year Ended June 30, 2004

Schedule 1
Page 1

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Property Taxes	\$ 61,336	\$ 61,336	\$ 228,467	\$ 167,131
Licenses and Permits:				
Licenses	8,000	8,000	8,235	235
State Grants:				
State Shared Revenues	165,000	165,000	161,849	(3,151)
Charges for Services:				
Cemetery and Other	9,611	9,611	9,516	(95)
Interest and Rents:				
Interest	2,500	2,500	1,794	(706)
Rents	500	500	750	250
Other:				
Refunds and Reimbursements	-	-	4,827	4,827
Other	<u>7,600</u>	<u>7,600</u>	<u>9,686</u>	<u>2,086</u>
Total Revenues	<u>254,547</u>	<u>254,547</u>	<u>425,124</u>	<u>170,577</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	13,016	-
Fringe Benefits	-	-	1,026	-
Professional Fees	-	-	9,742	-
Insurance	-	-	8,233	-
Dues	-	-	7,110	-
Travel	-	-	415	-
Education	-	-	248	-
Total	<u>48,992</u>	<u>48,802</u>	<u>39,790</u>	<u>9,012</u>
Total Legislative	<u>48,992</u>	<u>48,802</u>	<u>39,790</u>	<u>9,012</u>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	12,252	-
Fringe Benefits	-	-	1,855	-
Total	<u>14,107</u>	<u>14,107</u>	<u>14,107</u>	-
Elections:				
Salaries and Wages	-	-	2,723	-
Fringe Benefits	-	-	134	-
Supplies	-	-	2,620	-
Total	<u>4,984</u>	<u>5,484</u>	<u>5,477</u>	<u>7</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Bingham Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2004

Schedule 1
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
<u>General Government (Continued):</u>				
Assessor:	-	-	19,562	-
Salaries	-	-	962	-
Fringe Benefits	-	-	2,035	-
Supplies	-	-	86	-
Travel	-	-	-	-
Total	<u>22,874</u>	<u>23,294</u>	<u>22,645</u>	<u>649</u>
Clerk:	-	-	20,655	-
Salaries	-	-	491	-
Salaries - Deputy	-	-	3,063	-
Fringe Benefits	-	-	-	-
Total	<u>24,718</u>	<u>24,718</u>	<u>24,209</u>	<u>509</u>
Board of Review:	-	-	1,045	-
Salaries	-	-	51	-
Fringe Benefits	-	-	-	-
Total	<u>1,051</u>	<u>1,141</u>	<u>1,096</u>	<u>45</u>
Treasurer:	-	-	21,308	-
Salaries	-	-	575	-
Salaries - Deputy	-	-	3,195	-
Fringe Benefits	-	-	1,788	-
Supplies	-	-	-	-
Total	<u>27,203</u>	<u>27,283</u>	<u>26,866</u>	<u>417</u>
Township Hall and Grounds:	-	-	5,002	-
Supplies and Postage	-	-	4,537	-
Printing and Publishing	-	-	2,261	-
Telephone	-	-	3,691	-
Public Utilities	-	-	3,397	-
Maintenance	-	-	239	-
Other	-	-	-	-
Total	<u>21,310</u>	<u>21,310</u>	<u>19,127</u>	<u>2,183</u>
Board of Appeals:	-	-	470	-
Salaries	-	-	23	-
Fringe Benefits	-	-	-	-
Total	<u>1,173</u>	<u>1,173</u>	<u>493</u>	<u>680</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Bingham Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2004

Schedule 1
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
<u>General Government (Continued):</u>				
Cemetery:				
Salaries	-	-	2,200	-
Fringe Benefits	-	-	108	-
Other	-	-	773	-
Total	<u>3,008</u>	<u>3,008</u>	<u>3,081</u>	<u>(73)</u>
Total General Government	<u>120,428</u>	<u>121,518</u>	<u>117,101</u>	<u>4,417</u>
Public Safety:				
Fire:				
Contractual Services	-	-	189,640	-
Total	<u>28,500</u>	<u>28,500</u>	<u>189,640</u>	<u>(161,140)</u>
Planning and Zoning:				
Salaries	-	-	13,631	-
Fringe Benefits	-	-	670	-
Professional	-	-	3,054	-
Total	<u>24,620</u>	<u>24,620</u>	<u>17,355</u>	<u>7,265</u>
Total Public Safety	<u>53,120</u>	<u>53,120</u>	<u>206,995</u>	<u>(153,875)</u>
Recreation and Culture:				
Parks:				
Maintenance	-	-	338	-
Rentals	-	-	1,246	-
Programs	-	-	1,500	-
Total	<u>4,300</u>	<u>3,800</u>	<u>3,084</u>	<u>716</u>
Library:				
Contracted Services	-	-	33,940	-
Total	<u>33,940</u>	<u>33,940</u>	<u>33,940</u>	-
Total Recreation and Culture	<u>38,240</u>	<u>37,740</u>	<u>37,024</u>	<u>716</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Bingham Township
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2004

Schedule 1
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Capital Outlay	<u>36,000</u>	<u>36,000</u>	<u>12,963</u>	<u>23,037</u>
Total Expenditures	<u>296,780</u>	<u>297,180</u>	<u>413,873</u>	<u>(116,693)</u>
Excess Revenues (Expenditures)	<u>\$ (42,233)</u>	<u>\$ (42,633)</u>	<u>11,251</u>	<u>\$ 53,884</u>
Fund Balance -- Beginning of Year			<u>241,981</u>	
Fund Balance -- End of Year			<u>\$ 253,232</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Bingham Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Public Improvement Fund
For the Year Ended June 30, 2004

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest Earned	\$ -	\$ -	\$ 4,304	\$ 4,304
Total	-	-	4,304	4,304
<u>Expenditures</u>				
Capital Outlay	30,000	30,000	30,000	-
Total	30,000	30,000	30,000	-
Excess Revenues (Expenditures)	(1) \$ (30,000)	\$ (30,000)	(25,696)	\$ 4,304
Fund Balance – Beginning of Year			125,512	
Fund Balance – End of Year			\$ 99,816	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Bingham Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended June 30, 2004

Schedule 3

	<u>Balance</u> <u>6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/04</u>
<u>Assets</u>				
Cash	\$ 12,772	\$ 3,071,786	\$ 2,995,764	\$ 88,794
Total Assets	\$ 12,772	\$ 3,071,786	\$ 2,995,764	\$ 88,794
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 12,772	\$ 3,071,786	\$ 2,995,764	\$ 88,794
Total Liabilities	\$ 12,772	\$ 3,071,786	\$ 2,995,764	\$ 88,794

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Bingham Township 2003 Property Tax Levy and Collections For the Year Ended June 30, 2004

Schedule 4

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	3.9648	\$ 486,539	\$ 454,590	\$ 31,949
County Road Tax	0.4859	59,619	55,704	3,915
County Senior	0.2672	32,780	30,628	2,152
County BATA	0.3500	42,941	40,122	2,819
School District – Suttons Bay	23.6837	1,411,324	1,312,893	98,431
Intermediate School District	2.9929	367,270	349,149	18,121
State Education	5.0000	613,581	583,306	30,275
Township - General	0.5000	61,350	57,321	4,029
- Fire	1.4578	178,887	167,140	11,747
Total		<u>\$ 3,254,291</u>	<u>\$ 3,050,853</u>	<u>\$ 203,438</u>
State Equalized Value		\$199,831,250		
Taxable Value		\$122,717,013		
Percent of Levy Collected		93.75%		

The Notes to the Basic Financial Statements are an integral part of this statement.